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**Latin America
Review**

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10 April 1987

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*Articles have been coordinated as appropriate with other offices within CIA.
Comments and queries regarding this publication may be directed to the Chief,
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**Latin America
Review**

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Articles**Nicaragua: Managing
Consumer Shortages**

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The Sandinistas are trying to limit the political impact of frequent shortages of consumer goods by giving peasants—especially those who live in combat areas—and regime supporters preferential treatment. The regime is giving the lowest priority to urban consumers who must rely largely on expensive black-market goods to meet basic needs. The city dwellers are being pinched by decreasing domestic production and a growing reliance on uncertain supplies of imported food. The regime's plan to control internal distribution by eradicating the black market may deny urban consumers their most reliable source of foods and could lead to civil disturbances in the cities this spring.

The Ministry of Internal Commerce (MICOIN) controls the legal distribution of basic foods and consumer goods. According to the US Embassy, MICOIN uses state wholesale enterprises to purchase domestic food crops and receive imports of donated food and other consumer items. These goods are then distributed to a MICOIN-controlled system of retail outlets, including supermarkets reserved for government employees and neighborhood stores where consumers must use Sandinista-issued ration cards. To ensure its legal commercial monopoly, MICOIN controls merchant licenses, sets prices, and uses uniformed and undercover inspectors to monitor markets.

Consumer Caste System

The regime uses its control over food and basic consumer goods to rank consumers according to their value to the revolution. According to a 1987 MICOIN planning document, the needs of the military and the rural population must be met first. Other groups whose political loyalty the regime considers critical, such as bureaucrats and workers affiliated with

Sandinista unions, are afforded access to basic goods at subsidized prices at MICOIN-controlled supermarkets. As a result, these favored groups can obtain items such as clothes, shoes, toiletry articles, and kerosene lamps that are in short supply and not available through legal channels to most urban consumers. US Embassy officials touring the rural north recently confirmed government reports that the standard of living for many peasants in the war zones has improved since 1985.

The losers in the regime's consumer hierarchy are private merchants, industrialists, professionals, and urban workers not associated with Sandinista unions. The Embassy reports these groups, which represent the majority of the urban population, have long faced smaller monthly quotas of most rationed goods. Government stores in Managua have been reducing rice rations to these customers since June. Some urban consumers reportedly receive only 1 pound of rice per month, down from 4 pounds a year ago. In February, MICOIN publicly announced that rice and vegetable oil rations again will be cut for nonpreferred consumers. Press reports say that even with reduced rations many goods often are either unavailable or are of insufficient quantities to fill the meager quotas. These consumers are increasingly forced to rely on high-priced black-market items.

Supply Vulnerabilities

The squeeze on nonpreferred consumers has largely been the result of declining domestic production. Nicaraguan private-sector statistics show that per capita grain production has fallen by one-third since 1979. [redacted] government

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policies on pricing, land redistribution, and credit primarily are to blame. For example, rice farmers in the south refused to sell their crops to the government last summer because the official price did not cover production costs. Press reports indicate that productive private farms are routinely denied access to credit and foreign exchange. The US Embassy reports that a lack of herbicides and fertilizers, caused by the country's hard currency crisis and aggravated by US trade sanctions, also is responsible for declining production.

To compensate for lower food production, the Sandinistas have steadily increased food imports in recent years and plan to continue that trend in 1987. MICOIN documents indicate that Managua expects to import more than \$100 million in donated food this year—largely from Western Europe—but as of December only one-fourth of that amount had been firmly committed. Last year, scheduled food donations did not meet the regime's needs, and the Sandinistas had to turn to the Soviet Union for emergency rice and wheat shipments.

Reining In the Black Market

To strengthen its control over consumer goods, MICOIN recently escalated the war against black-market vendors. According to the Embassy, the government's campaign against illegal commerce has dominated the Nicaraguan media in recent weeks. Police attacks on vendors selling goods above official prices are increasing and becoming more violent. Nicaraguan press reports say that, in mid-January, some 400 Sandinista police and MICOIN inspectors conducted a series of raids on two illegal markets and nearby neighborhoods suspected of supplying the markets. [redacted]

a two-hour battle with the merchants resulted in 20 arrests, numerous injuries, and the deaths of two policemen. The raids followed an earlier press report that MICOIN inspectors had been chased from the same markets by vendors threatening them with machetes.

The Months Ahead

In our view, the recent cutbacks in rations and high-visibility attacks on illegal markets probably signal worse shortages to come. The Sandinistas' heightened

Sandinistas' 1987 Consumer Hierarchy

Military personnel and mobilized militia

Sandinista salaried personnel:

- *Agriculture workers and employees in high-priority state industries*
- *Armed services professionals*
- *Employees in lower-priority state industries*

Peasant families

Private industry

Urban population

Private-sector institutions:

- *Small business*
- *Restaurants*

Independent merchants

[redacted]

campaign against the black market also may deny many urban consumers their most reliable source of foodstuffs. Moreover, food production—which traditionally is low in the spring—may be even worse this year because Managua's 1987 economic plan gives production of export crops priority over food for domestic consumption.

We believe that domestic food stocks and scheduled foreign donations will be adequate to supply consumers protected by the regime's preferential system for at least the next six months. The outlook for the rest of the population this spring is bleak, however, and serious food shortages may spark spontaneous disturbances in urban areas. If so, the regime will rely increasingly on its powerful security forces and emergency food shipments from the Soviet Bloc to maintain control.

[redacted]

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Cuba-Bolivia: Havana Pressing for Inroads

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Havana has been largely frustrated in its efforts to build Cuban influence in Bolivia, gain trade opportunities, and attain full diplomatic relations with La Paz. Progress so far appears to be limited to new penetrations of Bolivian labor, leftist, and dissident movements, and Cuban medical assistance is giving Havana a good name in Bolivia. Havana has found an ally in Bolivian Foreign Minister Bedregal, but President Paz Estenssoro remains wary of the Cubans. He is likely to keep them at arm's length by limiting ties to commercial and cultural areas.

Exchange Programs Building Havana's Influence

The Cuban Embassy in La Paz has only some 20 officials, but US Embassy reporting indicates that Havana is working actively to build its influence and image through a wide range of educational and cultural activities. According to an Embassy source, Havana annually offers some 30 long-term university scholarships to Bolivians for study in Cuba. The source says Cuba sponsors short courses and seminars in Cuba for some 270 others. Havana is showing special interest in Bolivian labor. For example, many of the university scholarships reportedly are given to the children of labor leaders, especially miners, and about 15 labor leaders and workers go to Cuba every three months for classes in Marxist-Leninist ideology and other political training.

Havana is using medical assistance programs to gain influence. According to the US Embassy in La Paz, Cuba offers free treatment to Bolivians, supports an intensive care unit at a Bolivian hospital, and invites Bolivians to Cuba for medical training. These programs are paying off for Havana in terms of good will. The Embassy reports that Cuban medical training has a positive image in Bolivia, and in January the Bolivian Health Minister publicly expressed appreciation for Cuban medical assistance and said that President Paz was "very satisfied" with Cuba's efforts.

Havana Pursuing Upgraded Diplomatic and Trade Relations

Bolivia and Cuba have diplomatic relations and maintain embassies and diplomatic staffs in each other's capitals, but they do not exchange ambassadors. President Castro saw Cuba's—and his own—prestige rise in Latin America in 1985 and 1986, when first Uruguay and then Brazil sent ambassadors to Havana after reestablishing full diplomatic relations with Cuba. We believe Castro hopes that Bolivia will follow suit.

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The Embassy believes that the Cubans are improving their access to the Bolivian Government, and that this could lead to closer commercial and economic relations. The Embassy also reports that the Cubans are pressing Bolivia to grant landing rights to Cubana de Aviacion, Havana's national airline.

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the Cubans want the rights so they can establish a cargo route to Brazil. The prospects for Havana to find lucrative trade opportunities in Bolivia appear scant, but the Cubans are likely to welcome barter or other largely symbolic agreements, as they have with a number of other countries.

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Havana's Ally in La Paz—Foreign Minister Bedregal

Bolivian Foreign Minister Guillermo Bedregal, who visited Cuba last October at Castro's invitation, has become the major spokesman in La Paz for Havana's interests. Bedregal has sought—with little success—to improve relations with Cuba.

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As a result of the visit to Havana, Bedregal has managed to revive a cultural agreement signed by the Siles administration, but he has made little headway in efforts to market Cuban products in Bolivia or to persuade Paz to grant landing rights to the Cubans.

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His effort to ingratiate himself with the Cubans is also aimed at gaining the support of the

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growing Bolivian left, according to US Embassy reporting, possibly to advance his candidacy for the 1989 presidential election. [redacted]

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President Paz Keeping Havana at Arm's Length

We believe that President Paz distrusts the Cubans, largely because they took advantage of Bolivia's unstable domestic situation to extend their influence during the preceding Siles administration. Paz has distanced himself from the pro-Soviet and pro-Cuban leanings of top officials in the Siles government. He may have decided to rein in Bedregal on Cuba, as indicated by a recent US Embassy report that Bedregal voiced approval of the US resolution at the United Nation in February to condemn Cuban human rights violations. [redacted]

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Outlook

We believe that Paz's profound distrust of Havana makes it unlikely that Bolivia would upgrade diplomatic relations with Cuba during his administration. Havana, however, will continue its long-term efforts to make inroads into Bolivian society among discontented and leftist elements. The Bolivian left may be vocal and expert at obtaining front page press coverage, but remains politically weak. Havana probably realizes this and thus will also foster image-building efforts that lack an overtly ideological dimension—such as medical assistance, cultural and sports exchanges—that are targeted at Bolivian public opinion in general. [redacted]

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**Cuba-Guinea:
Declining Relations** [REDACTED]

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Relations between Cuba and Guinea, which have declined during the past year, are at their lowest point since diplomatic ties were established 27 years ago. Cuban personnel in Guinea totaled as many as 600 in 1975—second only to Angola—but currently number no more than 35. Guinea's more moderate foreign policy and openness to the West, combined with increasingly intense competition between France and the USSR for influence in Guinea, have contributed to the decline in Havana's influence in Conakry. Because Havana can offer relatively little of the economic and military aid that Guinea needs, it probably will be limited to token cultural and economic contacts with Conakry in the near term.

[REDACTED]

Past Relationship

Havana and Conakry established diplomatic relations in 1960, two years after Guinea attained its independence from France. Under the one-party regime of President Ahmed Sekou Toure, Guinea was a radical socialist state with an anti-Western, and especially anti-French, orientation. Economic, technical, and military assistance from Communist states, primarily the Soviet Union and Cuba, quickly filled the void left by the departing French. Cuban aid to Guinea grew throughout the 1960s, including training in guerrilla warfare for Guinean-supported insurgents fighting for the independence of neighboring Portuguese Guinea. Throughout this period the US Embassy in Conakry reported Cuban-Guinean relations to be warm and close, with general popular support for the Cuban presence and aid programs.

[REDACTED]

The Cuban presence peaked in the late 1970s, when some 400 to 600 Cubans were providing economic and military assistance in Guinea. By late 1977, [REDACTED] more than 160 Cubans provided military training and help with road construction; about 30 others trained the Guinean militia and President Toure's personal bodyguards. Several hundred Cubans provided assistance in the

areas of animal husbandry, agriculture, fishing, health, and education. In addition, during this period several hundred Guineans studied in Cuba, primarily in technical programs, education, medicine, and the sciences.

[REDACTED]

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Beginning of Decline

About the same time, Guinea's deteriorating economic condition, accompanied by popular demonstrations over food and consumer goods shortages, led Toure to begin to reassess his socialist policies and his dependence on Soviet and Cuban aid. In early 1978, [REDACTED] the first strains in bilateral relations appeared as the Cubans fell behind in completing several development projects that Havana had agreed to carry out.

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[REDACTED] Havana was unable to provide the necessary resources to complete the projects—a failure that Conakry blamed on Soviet Bloc indifference regarding economic development in Guinea.

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[REDACTED] Guinean dissatisfaction led the government to order a small reduction of Soviet military personnel and a significant drawdown of Cuban military advisers. In March 1978, [REDACTED]

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Cuba ceased using the airport at Conakry as a refueling stop on the way to Angola, in part because of Cuban sensitivities over the close monitoring of the flights by the Guineans. According to the US Embassy, by late 1980 only about 10 Cuban military advisers remained in Guinea—training the Guinean militia—while 200 Cuban personnel continued to be engaged in roadbuilding and agricultural projects.

[REDACTED]

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In the last years of his rule, Toure continued to maintain significant economic and military ties to the USSR while gradually increasing economic contacts with France and the West. While the Soviets faced increased competition from the French, they remained the largest military supplier to Guinea and

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the largest purchaser of Guinean bauxite, according to US Embassy reporting. The Cuban contingent in Guinea, in contrast, continued to shrink, due to Cuba's much smaller economic presence, increasing levels of aid from the West, and the moderating political climate in Guinea. After Toure's death in March 1984, the decline accelerated, and by early 1986 only about 35 Cuban advisers remained in Guinea, according to US Embassy information. []

Recent Relations

Under the leadership of President Lansana Conte, who took power in a military coup after Toure's death in 1984, economic relations with the West have further increased, counterbalancing entrenched Soviet economic and military interests. []

[] the Cubans have repeatedly expressed frustration and confusion over their inability to maintain even a token economic presence in Guinea, given the Soviet Union's firm position and Guinea's push for economic development. []

unclear, as the Guinean militia they were training reportedly has been disbanded and integrated into the regular army. Cuba recently completed what the US Embassy terms its last road construction project in Guinea. []

Outlook

[] Havana feels it can improve and maintain its relations with Conakry mainly because many of the Guineans who trained in Cuba currently occupy important positions. Notwithstanding Cuba's optimism, we believe Havana probably will be able to maintain only limited cultural and economic contacts with Conakry in the next few years:

- The change in the Guinean Government from a stridently anti-Western to a more moderate outlook welcoming Western investment has left the Cubans with few opportunities to reestablish their presence.
- Havana appears to be unable to interest the Guineans in new projects regardless of the favorable terms proposed, because, in our view, Conakry probably does not consider Havana a reliable investment partner.
- Cuba's more pressing concerns in Angola, Ethiopia, and Mozambique, and limited financial resources make it unlikely that Havana will be able to offer the substantial aid programs that Conakry is seeking.

Barring a sudden change of regime and a radical redirection of Guinea's economic and foreign policies, relations between the two countries are likely to decline even further. Most or all of the remaining Cuban advisers probably will depart, leaving only a small Cuban diplomatic presence in Conakry.

Annual bilateral meetings between Cuba and Guinea have produced no new military or economic agreements. For example, the US Embassy in Conakry reports that no new Cuban projects in Guinea were agreed to in 1986. The role of the 10 Cuban military advisers remaining in Guinea is

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Ecuador: Grim Economic Prospects

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Ecuador faces severe financial constraints for the rest of this year as a result of recent earthquakes and their devastating impact on the key oil sector. The country will probably lose more than \$700 million in anticipated oil revenues this year because of damage to its major oil pipeline. To counter this, President Febres-Cordero has announced suspension of debt service payments and imposed austerity measures. The ultimate revenue shortfall will depend largely on how soon Ecuador can restore its oil production—September is the most likely date—and whether Quito can subsequently recoup some of its lost petroleum exports through production levels above its OPEC quota. Febres-Cordero's new austerity measures and inability to respond quickly with relief for the earthquake zones have spurred a renewal of public protests, and continuing confrontations with the leftist-controlled congress can be expected.

Oil Market and Earthquake Undo Gains

When Febres-Cordero took office in 1984, he moved quickly to eliminate the cumbersome and inefficient policies of his statist predecessors and begin a free market experiment that by 1985 had reinvigorated the economy. Within the first year, GDP grew by 3.8 percent, direct foreign investment increased by 18 percent, and inflation was cut in half to 25 percent. Confident in Quito's new economic direction, the Paris Club and commercial banks rescheduled Ecuador's \$8 billion foreign debt.

Economic progress halted, however, when oil prices declined by nearly 50 percent in early 1986, cutting oil revenues by \$1 billion. Febres-Cordero then sought to stimulate nonoil exports by freeing the exchange rate, which helped boost agricultural exports by 70 percent, but increases in nonoil exports failed to compensate the loss in oil earnings. Ecuador finished the year with a current account deficit of nearly \$700 million and only about \$145 million in foreign exchange reserves. In addition, GDP fell by 2 percentage points.

Quito was deadlocked in efforts to persuade its commercial creditors to reduce debt service payments due in 1987 when the earthquakes hit in early March. Damage to the country's main oil pipeline and several pumping stations has forced a shutdown of major oilfields for at least six months, costing Quito at least \$1 billion in repairs and lost export revenues, according to our estimates. Febres-Cordero has suspended all service payments on commercial bank debt for 1987, claiming that Ecuador simply cannot pay the \$920 million owed.

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Response to the Crisis

On 13 March, the President announced several belt-tightening measures to help offset increases in the budget deficit:

- Gasoline and fuel price increases of 38 to 186 percent. The price of regular gasoline increased 80 percent to 60 cents per gallon.
- Suspension of public-sector imports for five months.
- Reduction of 5 percent in government expenditures across the board.

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In addition, the government froze prices for 20 consumer basics, cut salaries of top officials, including the President, by 15 percent and imposed a governmentwide hiring freeze.

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The international financial response to Ecuador's economic disaster has been positive, but limited largely to repairing earthquake damage. The World Bank, IBRD, and other multilateral institutions have offered emergency loans to rebuild the pipeline, houses, roads, and bridges destroyed by the earthquakes. Government officials estimate that the cost of repairing the pipeline and related infrastructure may exceed \$350 million. Quito's economic team and its Bank Advisory Committee are meeting soon to discuss Ecuador's financial needs. US Embassy sources indicate that Ecuador may ask for

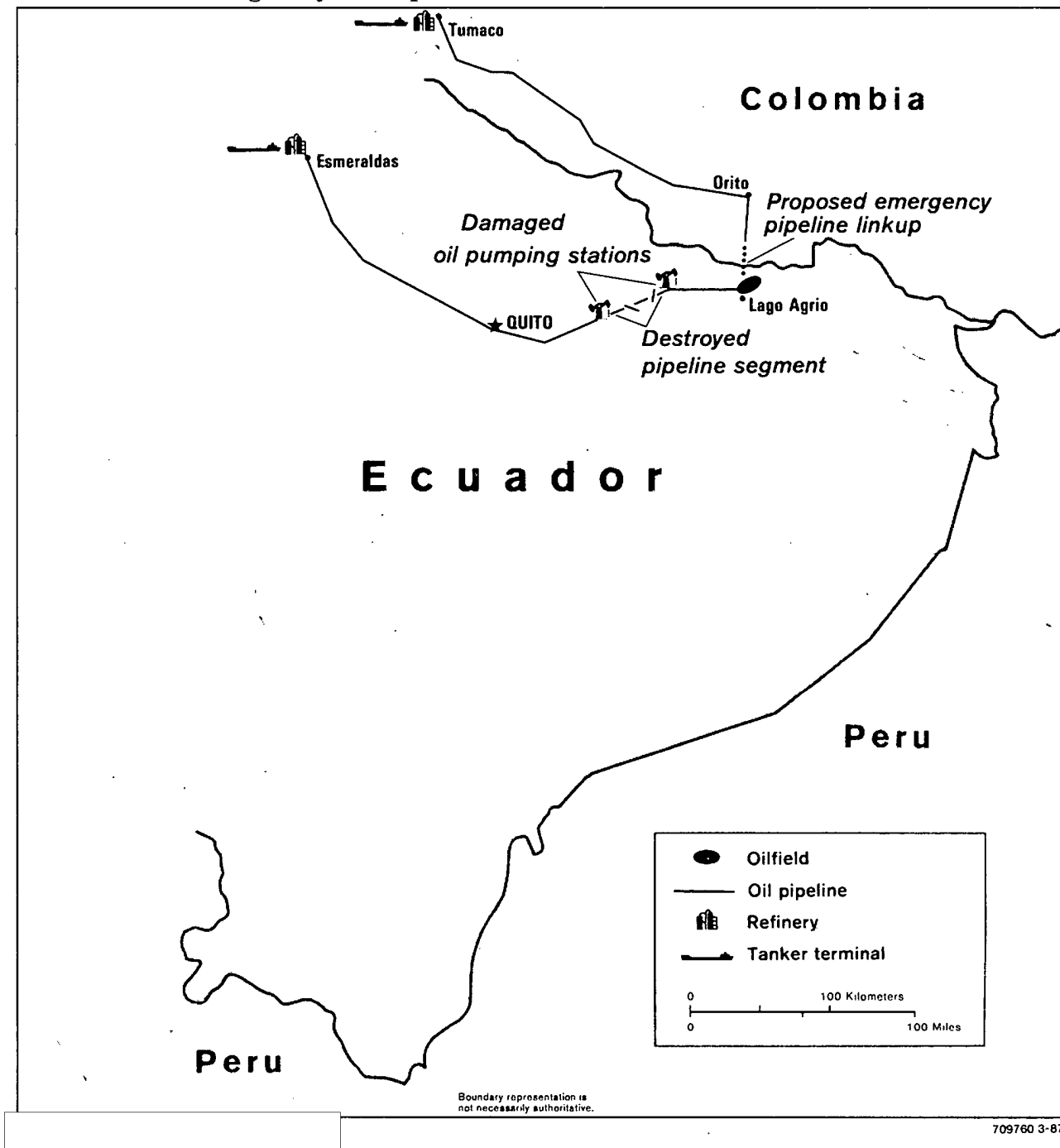
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Oil Facilities Damaged By Earthquakes



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Table 1
Ecuador: Current Account Balance

Million US \$

	1984	1985	1986
Current account balance	-248	126	-693
Trade balance	1,055	1,294	504
Exports, f.o.b.	2,622	2,905	2,181
Oil	1,835	1,927	971
Nonoil	787	978	1,210
Imports, f.o.b.	1,567	1,611	1,677
Net services and transfers	-1,303	-1,168	-1,197
Interest payments	836	762	703

\$300 million in new loans for 1987 as well as interest rate and payments concessions on its commercial bank debt. []

Quito expects, optimistically in our view, to offset most of the lost oil tax revenues with its new tax increases and improved tax collection. Government officials expect the public-sector deficit to increase to \$240 million—approximately 2.3 percent of GDP—and real GDP to decline by 7 percent in 1987, according to US Embassy sources. We believe that the combined public-sector deficit will grow by at least 3.2 percent of GDP this year, an increase of nearly 1 percent over government projections. []

The Central Bank plans to finance the budget shortfall primarily by reducing debt service payments and through new lending from foreign creditors. This would depend on foreign commercial bank and Paris Club creditors to acquiesce in rescheduling of payments due this year—an outcome that is far from certain. US Embassy officials believe, and we concur, that Ecuador is requesting more debt relief than is necessary to fill its projected budget gap, probably to shore up depleted reserves and to avoid implementing additional austerity measures that could spark further public protests and confrontations with congress. []

Tallying the Oil Loss

We estimate that Ecuador will suffer a net loss of nearly \$740 million as a result of the six-month suspension of oil production. Quito plans to minimize the impact of lost oil production through oil loans from fellow OPEC members, a temporary linkup to the Colombian pipeline, and higher production levels when the pipeline is repaired. So far, Venezuela and Nigeria have offered to supply a total of 45,000 b/d to help Quito with long-term export commitments. Venezuela is also providing two months of domestic oil needs. Colombia is allowing Quito to build an emergency link to the trans-Colombian pipeline through which 20,000 b/d will flow beginning in May.

[] Quito plans to increase the pipeline's pumping capacity to resume oil production at a rate of 400,000 b/d, compared with the former capacity of about 310,000 b/d.

Political Reaction

The government's austerity measures have provoked strong public protests and criticism from opposition parties. The large increases in gasoline and transportation prices, the first in two years, sparked widespread demonstrations and a general strike last week. The strike, the most effective in recent history, has further consolidated opposition groups in their drive to discredit Febres-Cordero's administration. A political truce called immediately after the earthquakes has broken down and leftist members of Congress and labor groups are clamoring for Febres-Cordero's impeachment. His confrontations with the opposition could reach such a pitch that the military may decide—with or without Febres-Cordero's approval—to intervene, closing down congress. []

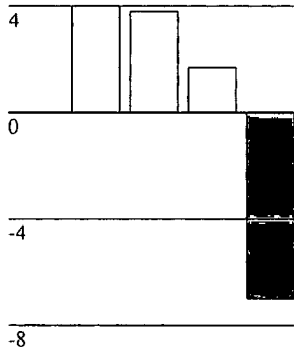
Outlook

We believe that Ecuador's domestic economy will improve slightly later this year when the pipeline is repaired, but the international payments situation will remain bleak throughout the remainder of Febres-Cordero's term, which ends in August 1988. Two

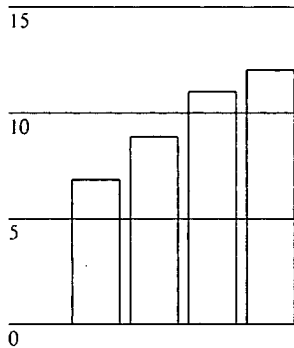
Ecuador: Selected Economic Indicators, 1984-87

Note scale change

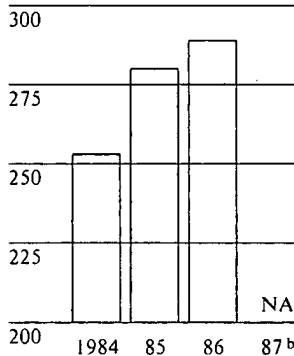
Real GDP Growth^a Percent



Agricultural Exports Million US \$



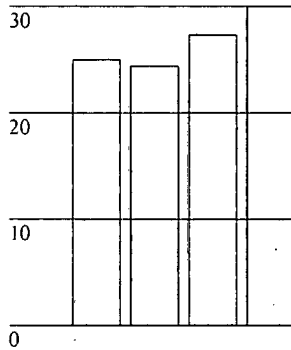
Crude Oil Production Thousand b/d



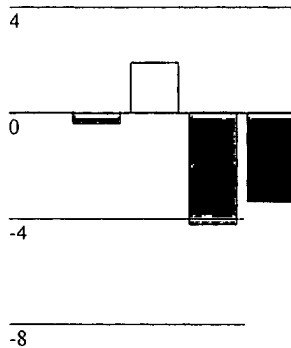
^a Central Bank projection for 1987.

^b Projected.

Consumer Price Inflation Percent



Combined Public-Sector Balance as a Share of GDP Percent



Crude Oil Exports Thousand b/d

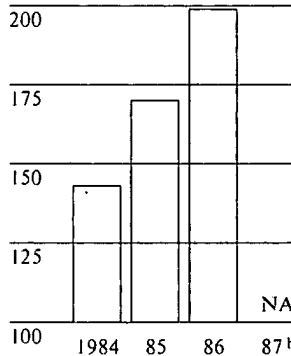


Table 2
Multilateral Assistance

Million US \$

Institution	Amount	Purpose
Total	415	
World Bank	250	Disaster relief/ pipeline repair
Inter-American Development Bank	100	Public-sector imports
IMF	45	Emergency loan
Andean Reserve Fund	20	Pipeline repair

consecutive years of oil revenue shortfalls have dealt the economy a major setback, straining operations of a public sector traditionally dependent on oil revenues for nearly 50 percent of its budget. Relations with foreign creditors, already strained before the earthquakes, may deteriorate, and loans will be more difficult to obtain as Quito is forced to continuously reschedule its debt payments. If inflation surges because of increased monetary emissions to finance the budget deficit, Febres-Cordero may be forced to institute more price controls and wage freezes.

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Guyana-Venezuela: Progress on Essequibo Dispute

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The widely publicized and highly successful four-day state visit of Guyanese President Desmond Hoyte to Venezuela in March highlights the warming trend in bilateral relations. This trend, begun with Hoyte's succession to the presidency following the death of Forbes Burnham in August 1986, has been encouraged by Venezuelan President Jaime Lusinchi. The rapprochement gives substance to Hoyte's movement away from the strict socialism of the Burnham era and brightens prospects for settling the longstanding territorial dispute over Venezuela's claim to the Essequibo region, an area comprising two-thirds of Guyana.

An agreement to end the Essequibo territorial dispute, which dates back to 1899, could serve as a capstone for Venezuela's efforts to encourage Guyana's movement toward the West. A successful outcome—clearly in the interest of the United States—would strengthen the domestic political positions of both Presidents. Hoyte would benefit in his struggles with old-guard "Burnhamites" who oppose his retreat from the policies of his predecessor, and Lusinchi probably would be strengthened in his struggle within the Democratic Action party to fend off the presidential candidacy bid of former President Carlos Andres Perez.

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The two countries signed a narcotics control agreement and established a joint commission for economic, cultural, and technical cooperation. They renewed an April 1986 agreement whereby Venezuela gives Guyana oil in return for bauxite. In addition, Venezuela will extend a \$15 million credit to Guyana for the purchase of Venezuelan goods and services and Venezuelan and Guyanese private businesses will form a joint enterprise to develop Guyanese bauxite.

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Latin America Briefs

Bolivia

Curbing Labor Unrest

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President Paz Estenssoro is considering imposing martial law to head off growing labor protests in support of unemployed miners. According to press reports, some 3,900 miners and supporters have been on hunger strikes, and 10,000 participated in a one-day antigovernment demonstration in La Paz this month, the largest protest so far during this administration.

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Labor discontent is unlikely to threaten government stability, and the state of siege would allow 90 days to deal with the situation. No solutions are apparent, however, because La Paz has already given unemployed miners severance pay and lacks the financial resources to make further payments. Moreover, problems in the mining sector are growing because of depressed world prices for tin and natural gas, and more mines are expected to close.

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Venezuela

1987 Inflation Watch

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Inflation, fueled by domestic shortages and a sharp currency devaluation, is creating new economic and political problems for President Lusinchi's government. Inflation rose to an annual rate of 14.3 percent in February, up from 12.7 percent in December. A current price freeze on basic commodities has prompted a sharp increase in illegal exports of meat and poultry to neighboring Colombia, where prices for food are higher. The new commercial exchange rate created by the government late last year has doubled import costs, causing major price increases on a wide range of goods. An informal survey of executives suggests that most industries are ignoring government-imposed limits on price increases and are passing on the higher import costs to consumers. Inflation could soar to a record 30 percent, far exceeding the 15- to 20-percent government goal for 1987.

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Labor is preparing to respond to the anticipated inflation. The head of the Labor Confederation of Venezuela reportedly has widespread political support for his plan to ask the government for a 15- to 20-percent general pay hike, according to the US Embassy.

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Cuba-Uruguay**Trade Agreements** [REDACTED]

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Uruguay and Cuba have signed trade and cooperation agreements that are the first between the two countries since they renewed diplomatic relations in 1985. The agreements are part of Cuba's search for South American trading partners to compensate for declining trade with Western Europe and Japan. The US Embassy in Montevideo reports, however, that the Uruguayans believe that the potential for expanded bilateral trade is severely limited by the lack of appealing Cuban exports and Havana's shortage of hard currency. The Embassy also reports the Uruguayans were primarily interested in securing assurances that the Castro regime will try not to meddle in internal Uruguayan political affairs. [REDACTED]

25X1

Panama**Labor Party President Ousted** [REDACTED]

25X1

The removal in late March of Carlos Eleta, president of the Agrarian Labor Party (PALA)—the second-largest party in the ruling coalition—illustrates Defense Chief Noriega's continuing dominance of national politics. According to the US Embassy, the real power behind new party president Justo Fidel Palacios is Secretary General Ramon Sieiro, Noriega's brother-in-law. Eleta and Sieiro have struggled for control of PALA since Sieiro was installed as party secretary general by the Defense Chief following the presidential election in May 1984. Sieiro's consolidation of control over the party clears the way for him to run on the progovernment ticket—probably as a vice-presidential candidate—in the 1989 election. The Embassy reports that Eleta intends to challenge his removal, but the new PALA leadership has already been recognized by the governing coalition's majority party, the military-controlled Democratic Revolutionary Party. A decision by Eleta and his faction to split from the party would weaken PALA but, according to the Embassy, he has indicated his intention to remain in the progovernment camp. [REDACTED]

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